

File

Mr. Galbraith

Acme Gas & Oil Co.

Limited



*The Prospect of Today
is the Mine of To-morrow*

Annual Report to the Shareholders
for the Fiscal Year ended December 31
1966

Acme Gas & Oil Co.

Limited

OFFICERS

<i>President</i>	-	-	-	-	-	-	-	-	BERT W. LANG
<i>Vice-President</i>	-	-	-	-	-	-	-	-	J. L. C. JENNER
<i>Secretary</i>	-	-	-	-	-	-	-	-	R. A. CRANSTON, Q.C.
<i>Treasurer</i>	-	-	-	-	-	-	-	-	EDWARD A. PIGULSKI

DIRECTORS

BERT W. LANG

J. L. C. JENNER

R. A. CRANSTON, Q.C.

D. H. STODART

J. T. GARROW, Q.C.

HEAD OFFICE

Room 1705, 80 Richmond St. West
Toronto, Ont., Canada

TRANSFER AGENT AND REGISTRAR

THE PREMIER TRUST COMPANY
19 Richmond St. West
Toronto, Ont., Canada

THE ANNUAL MEETING WILL BE HELD ON FRIDAY,
JUNE 30th, 1967, AT 9:00 A.M., TORONTO TIME, IN THE
QUEEN'S PARK ROOM, KING EDWARD SHERATON HOTEL,
TORONTO, CANADA

ACME GAS & OIL CO., LIMITED

Report of Directors

To the Shareholders,
ACME GAS & OIL CO., LIMITED.

Your Directors submit herewith the annual report of the Company which includes the Consolidated Balance Sheet, Auditors' Report, Consolidated Statement of Deferred Expenditures and Consolidated Statement of Deficit for the year ended December 31, 1966.

Your Company was again actively engaged in exploration during 1966 and expenditures during the year totalled about \$290,000. A summary of the Company's activities follows:—

MICHIPICOTEN AREA, ONTARIO

During the year the Company acquired options from Algoma Central Railway on 12 Townships (approximately 420 square miles) located about 20 miles north of Wawa and 120 miles north of Sault Ste. Marie. The Townships cover a wide band of geological formations favourable for the deposition of base metals similar to the formations to be found in the Timmins area of Ontario and the Mattagami Lake area of Quebec. Airborne surveys were conducted over the entire area and many strong conductors were detected. An additional 240 claims were staked to cover anomalies that continued onto Crown land. A crew of seven men has been carrying out a systematic programme of detailing indicated airborne anomalies by ground geophysical and geochemical surveys, followed up by trenching and drilling. The Company is operating its own geochemical laboratory at Wawa to test the soil samples. This programme is very extensive and it will take several years to thoroughly investigate all of the Company's holdings.

Until recently this area received little attention from prospectors and developers due to the fact it was not accessible until the Trans-Canada Highway was completed. More recently Algoma Central Railway, in order to promote exploration, expended approximately half a million dollars on a detailed geological mapping of its holdings in the area and this information relative to the above-mentioned areas has been made available to your Company. In addition a programme of sampling of the silts in the stream beds within part of the area under option indicated above average values in copper and zinc. Besides indications of various base metals interesting values in gold and silver have also been obtained. It should also be noted that the principal mines and operations of Algoma Steel Company Limited are concentrated in this general area and iron formations are prevalent in many places on your Company's optioned properties. Four magnetic anomalies in particular have been closely examined and warrant extensive drilling to determine tonnage. Testing of the material has indicated that grade and impurity content are satisfactory and that it lends itself readily to concentration.

To date your Company has performed sufficient work under the terms of the option to enable it to protect approximately 15% of the optioned area for a period of 12 years. Both your Company and Algoma Central Railway are interested in a continuing exploration programme with a view to discovering one or more mines and accordingly your Company is endeavouring to make arrangements now which would see this extensive programme carried out on a continuing basis over a number of years.

AGNEW LAKE AREA, ONTARIO

Last fall your Company optioned approximately 1,200 acres in Drury Township situate about 4 miles east of the property jointly owned by Kerr Addison Mines Limited and Quebec Mattagami Minerals Limited. This group straddles the same geological formation and preliminary work last year turned up a number of uranium occurrences in quartz pebble conglomerate. A number of trenches were opened up with a plugger drill. Values were encouraging and in one trench averaged 1.56 lbs. U_3O_8 per ton over a width of 20 feet. The light Winkie drill was recently moved into the property to drill a series of holes but was returned to the Michipicoten property after drilling approximately 200 feet as it proved unsuitable for drilling the very hard quartzite formation. Five narrow intersections within the first 90 feet of Hole 1 returned values of .4 lbs. U_3O_8 per ton to 1.6 lbs. U_3O_8 per ton. Additional work is warranted on the property to endeavour to establish some length to the uranium indications and to more extensively prospect and trench the property under option to determine its potential value.

TIMMINS AREA, ONTARIO

Ground geophysical surveys carried out during 1966 on the north group of 196 claims in Elderado Township indicated several electromagnetic conductors associated with magnetic anomalies. This group is located about 5 miles west of the nickel property of Mining Corporation and International Nickel in Langmuir Township and drilling is recommended.

On the group of 119 claims in McArthur Township, an aerial survey indicated 4 electromagnetic conductors located on the flank of a high magnetic zone. These conductors were subsequently pin-pointed by ground geophysical surveys and are ready to be drilled. This property is located approximately 5 miles northwest of the Texmont Nickel Property.

NEWCASTLE AREA, NEW BRUNSWICK

An extensive programme of soil sampling was carried out last year over the Company's holdings in New Brunswick which subsequently were reduced to approximately 450 claims covering what are regarded as the most important areas. These claims embrace 6 copper zinc and 2 nickel anomalies. Additional geophysical work is warranted to detail the conductors with a view to selecting suitable drill hole locations.

In order to provide the funds required to carry out the work performed as reported above, over and above the monies available from the rights offerings, the investments of your Company were liquidated and more recently the first mortgage held by your Company and its interest in Keradec Petroleums Limited were sold. Additional funds are required and negotiations to secure these funds are presently being carried on.

On behalf of the Board of Directors,

Toronto, Canada,
June 9th, 1967.

J. L. C. JENNER,
Vice-President.

ACME GAS & OIL CO., LIMITED

(Incorporated under the laws of Ontario)
and its subsidiary

BORRADAILE OILS LIMITED

CONSOLIDATED BALANCE SHEET as at December 31, 1966

ASSETS

Current:

Accounts receivable and accrued interest	\$	1,568.83	
Marketable securities — note 1 (quoted market value \$53,000)		1.00	
Mortgage principal instalment due in 1967		6,500.00	
Advances to employees for working expenses, etc.		1,547.94	\$ 9,617.77
First Mortgage on Real Estate		52,000.00	
Less: Instalment due in 1967, above		6,500.00	
		45,500.00	
Accrued interest deferred to 1974		3,900.00	49,400.00
Lands — at cost, less proceeds of sales — being former railway lands including mineral and other rights			29,284.85
Shares in Keradec Petroleum Limited, — note 2 being 75% of the issued capital stock			27,049.42
Interests in petroleum and natural gas leases and wells, and royalties — at cost, less \$11,634 written down		6,461.26	
Well equipment at cost less \$880 depreciation		2,059.54	8,520.80
Mining claims, at cost — note 5			68,929.03
Deferred exploration expenditures, per statement attached			324,848.40
Exploration equipment, at cost less \$7,368.71 depreciation			13,057.34
Unsecured advance			1,703.02
			<u>\$532,410.63</u>

LIABILITIES

Current:

Bank overdraft	\$	5,639.37	
Accounts payable		54,440.43	
Owing to directors		6,426.01	\$ 66,505.81

SHAREHOLDERS' EQUITY

Capital Stock: notes 3 and 4

Authorized — 7,000,000 shares, no par value	
Issued — 4,543,804 shares	1,117,743.55

Deficit:

Balance, December 31, 1965	\$496,371.19	
Claims abandoned	58,660.51	
Exploration expenses written off	102,882.43	
Interest in petroleum and natural gas leases, written down	1,084.04	
Net profit on disposal of marketable securities	7,159.44	651,838.73
		<u>465,904.82</u>
		<u>\$532,410.63</u>

On behalf of the Board:

J. L. C. JENNER, Director.

R. A. CRANSTON, Director

The accompanying explanatory notes are an integral part of this financial statement.

Auditors' Report

To the Shareholders of
Acme Gas & Oil Co., Limited:

We have examined the accompanying consolidated balance sheet of Acme Gas & Oil Co., Limited, and its subsidiary, Borradaile Oils Limited as at December 31, 1966 and the consolidated statements of exploration expenditure and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly, on a consolidated basis, the financial position of the companies as at December 31, 1966 and the results of their operations and source and use of funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 30, 1967.

SIME, AYERS & CO.,
Chartered Accountants.

ACME GAS & OIL CO., LIMITED
and its subsidiary
BORRADAILE OILS LIMITED

CONSOLIDATED STATEMENT OF EXPLORATION EXPENDITURE
for the year ended December 31, 1966

Field Expenditures:

Ontario:			
Wawa area	\$171,613.24		
Timmins area	35,001.77		
Sudbury area	13,421.78		
Other	6,433.14	\$226,469.93	
New Brunswick		54,727.79	
Quebec		8,485.19	
Depreciation (\$6,128) and loss on disposal of exploration equipment		8,537.91	
		<u>298,220.82</u>	

Administration:

Head office salaries	9,389.20
Head office accommodation	2,400.00
Transfer agent's fees and disbursement, stock exchange fees, and shareholders' meetings and reports	12,633.00
Legal fees and disbursements	2,988.60
Directors' fees	1,400.00
Telephone, audit, and other expenses	6,636.88
	<u>35,447.68</u>

Taxes on lands	1,595.74
	<u>37,043.42</u>

Deduct:

Income from oil and gas production and royalties, less \$880 depreciation	\$ 2,236.93		
Interest	3,158.47		
Income from marketable securities	14,406.75	19,802.15	17,241.27
			<u>315,462.09</u>

Exploration expenditures deferred in 1965	<u>112,268.74</u>
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427,730.83

Deduct expenditures transferred to deficit, 1966	<u>102,882.43</u>
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Deferred exploration expenditures, December 31, 1966	<u>\$324,848.40</u>
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ACME GAS & OIL CO., LIMITED

and its subsidiary

BORRADAILE OILS LIMITED

EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET

December 31, 1966

1. Proceeds of sales of marketable securities are applied against cost, no profit being taken up in the accounts until cost is realized in full.
2. The accounts of Keradec Petroleums Limited have not been included in this financial statement because Keradec's financial statements are drawn up at a different date, and for other reasons. Acme's share of Keradec's loss for the portion of its 1966 fiscal year since control was acquired by Acme amounted to approximately \$2,000. No amount has been included in this financial statement as income from Keradec, nor has any provision been made for its loss. 27,270 shares of Keradec were repossessed during the year by default of agreement for sale, and are valued at a proportion of the amount unpaid under that agreement, which is less than their original cost to Acme. The remaining 2,875 shares are valued at cost.
3. During the year 952,572 shares of the capital stock were issued for \$303,893.55 in cash.
4. Options have been granted to certain employees to acquire 84,000 shares of the capital stock at 20 and 25 cents a share, subject to continuing employment, good until July, 1968.
5. The company holds unpatented mining claims in the following areas:

<u>Location</u>	<u>Cost</u>
Timmins area	19,466.25
Wawa area	22,735.77
New Brunswick	26,727.01

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended December 31, 1966

Source of Funds:

Issue of capital stock	\$303,893.55
Mortgage and agreement for sale	5,900.78
Income from marketable securities, interest, etc., less taxes on lands	19,086.41
Sale of marketable securities	7,161.44
Sale of lands	1,250.00
	<u>\$337,292.18</u>

Use of Funds:

Exploration — field, including net purchases of equipment	\$303,893.36	
— administration	35,447.68	\$339,341.04
Cost of claims acquired		58,084.97
Advance to another company		1,703.02
		<u>399,129.03</u>
		61,836.85

Working capital, December 31, 1965	4,950.81
Deficiency in working capital, December 31, 1966 before taking into account excess of market value of securities over book value	<u>\$ 56,886.04</u>

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VOLUME 10 NUMBER 1

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